

MINUTES

DEPARTMENT OF WATER SUPPLY COUNTY OF HAWAII WATER BOARD MEETING

April 23, 2019

Department of Water Supply, Hilo Operations Conference Room, 889 Leilani Street, Hilo, HI

MEMBERS PRESENT: Mr. William Boswell, Jr., Chairperson
Mr. Bryant Balog
Mr. David De Luz, Jr.
Mr. Nestorio Domingo
Mr. Kenneth Sugai
Mr. Leningrad Elarionoff (10:03 a.m.)
Ms. Julie Hugo (10:37 a.m.)
Mr. Keith K. Okamoto, Manager-Chief Engineer, Department of Water Supply
(ex-officio member)

ABSENT: Mr. Eric Scicchitano, Vice-Chairperson
Director, Department of Public Works (ex-officio member)
Director, Planning Department (ex-officio member)

OTHERS PRESENT: Mr. Craig Masuda, Deputy Corporation Counsel
Mr. William Moore, William Moore Planning
Mr. Kimo Lee, W. H. Shipman Limited (10:03 a.m.)

DEPARTMENT OF
WATER SUPPLY STAFF: Mr. Kawika Uyehara, Deputy
Mr. Kurt Inaba, Engineering Division Head
Mr. Richard Sumada, Waterworks Controller
Mr. Daryl Ikeda, Chief of Operations
Mr. Clyde Young, Operations Division
Mr. Eric Takamoto, Operations Division
Mr. Warren Ching, Energy Management Analyst
Mr. Calvin Uemura, Customer Service Section
Ms. Judith Hayducsko, Operations Division (10:56 a.m.)

- 1) CALL TO ORDER – Chairperson Boswell called the meeting to order at 10:00 a.m.
- 2) STATEMENTS FROM THE PUBLIC - none
- 3) APPROVAL OF MINUTES

ACTION: Mr. De Luz moved for approval of the Minutes of the March 19, 2019, Public Hearing on the Proposed Operating and 5-Year Capital Improvement Projects Budgets and the March 19, 2019, Regular Water Board Meeting; seconded by Mr. Sugai and carried unanimously by voice vote.

- 4) APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA
This item was taken up once the Board had six members present

5) **DEPARTMENT OF WATER SUPPLY PROPOSED OPERATING AND 5-YEAR CAPITAL IMPROVEMENT PROJECTS (C.I.P.) BUDGETS FOR FISCAL YEAR 2020:**

The Department's Fiscal Year 2020 Operating Budget, totaling \$55,652,500, and 5-Year C.I.P. Budget for Fiscal Years 2020-2024, totaling \$122,700,000, have been distributed for the Board's review. The Board may change either Budget or adopt them as presented over two readings.

The Manager-Chief Engineer recommended that the Water Board approve the Department's Fiscal Year 2020 Operating and C.I.P. Budgets this second of two readings.

MOTION: Mr. De Luz moved for approval of the recommendation; seconded by Mr. Sugai.

Chairperson Boswell noted, for the record, that Board Member Elarionoff had joined the meeting at 10:03 a.m. He asked if anyone had comments on the Budget. There were none.

ACTION: Motion was carried unanimously by voice vote.

4) **TAKEN OUT OF ORDER - APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA**

Chairperson Boswell called for a Motion to add the Supplemental Agenda for Item 7B) Job No. 2019-1106, Ōla'a #6 Deepwell Repair, to the Agenda.

ACTION: Mr. De Luz so moved; seconded by Mr. Sugai and carried by roll call vote: 6 ayes – Messrs. Balog, De Luz, Domingo, Elarionoff, Sugai, and Chairperson Boswell; 0 nays; 2 absent – Ms. Hugo and Mr. Scicchitano.

6) **POWER COST CHARGE:**

Departmental power costs from all power sources increased since the last Power Cost Charge rate was determined. The Department proposes to increase the Power Cost Charge from \$1.89 to \$1.96 per thousand gallons as a result of this increase. Power cost charges over the past two years were as follows:

<u>Effective</u>	<u>PCC</u>
February 1, 2019	\$1.89
August 1, 2018	\$1.94
April 1, 2018	\$1.88
December 1, 2017	\$1.62
August 1, 2017	\$1.73

Before the Power Cost Charge is changed, a Public Hearing should be scheduled to accept public testimony.

The Manager-Chief Engineer recommended that the Board approve holding a Public Hearing on May 28, 2019, at 9:45 a.m., to receive testimony on increasing the Power Cost Charge from \$1.89 to \$1.96, effective June 1, 2019.

MOTION: Mr. De Luz moved for approval of the recommendation; seconded by Mr. Sugai.

Mr. Elarionoff asked what the possibility was of needing another public hearing in a month and a half. He wondered if this one could be cancelled and wait until the next one. He would hate to see public hearing, after public hearing for nothing.

The Manager-Chief Engineer replied that it is the nature of the beast. The power cost charge has to be calculated every two months. If the rates were not adjusted, it could result in lost revenue because the Department would be paying the higher cost but not having it passed on to the customers. The calculation used to be done once a year; but the cost of power went up significantly, resulting in a \$3 million shortfall. It is worthwhile to hold this public hearing.

Mr. Sugai thought that to wait and have a larger price jump, more than the 6 cents, might be more of a shock to the customer.

The Manager-Chief Engineer agreed.

Mr. De Luz commented that according to the financial statements, the cost of power has gone up about 16% over the last year. The unfortunate reality is there probably will be a HELCO (Hawai'i Electric Light Company) rate hike in the next six months if the PUC (Public Utilities Commission) approves it. If the Department does not do this step-up now, it may be more of a burden on the customer later on. It is a sad reality that the Department is kind of training the customer to accept higher power cost charges. He supports the public hearing moving forward; but, unfortunately, there may be another one in two months.

ACTION: Motion to hold a Public Hearing on May 28, 2019, at 9:45 a.m., to receive testimony on increasing the Power Cost Charge from \$1.89 to \$1.96, effective June 1, 2019, was carried unanimously by voice vote.

7) PUNA:

A. **JOB NO. 2017-1066, KEAU'OHANA DEEPWELL B REPAIR – REQUEST FOR TIME EXTENSION:**

The contractor, Derrick's Well Drilling & Pump Services, LLC, is requesting a contract time extension of 278 calendar days. The contractor encountered delays by Hawai'i Electric Light Company, Inc. (HELCO), relating to the design and approval process for the generator transfer switch, which affected the contractor's ability to complete the project by the original completion deadline. These factors were beyond the control of the contractor.

Note: There are additional costs of \$34,087.67 associated with this time extension. These associated costs are within the original contingency of \$83,287.00 for this project.

1st time extension – 278 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 278 calendar days to Derrick's Well Drilling & Pump Services, LLC, for JOB NO. 2017-1066, KEAU'OHANA DEEPWELL B REPAIR. If approved, the contract completion date will be revised from January 14, 2019, to October 19, 2019.

MOTION: Mr. Sugai moved for approval of the recommendation; seconded by Mr. De Luz.

The Manager-Chief Engineer stated that after award of this project, when the contractor got on site and saw what needed to be done with the HELCO equipment, it was determined to be an atypical configuration or layout. This required the Department to hire an electrical design consultant to come up with a design for HELCO's approval. This caused a significant time extension.

Chairperson Boswell asked what the impact would be to the user, or customer, for this delay.

Mr. Young replied that it will not affect them because there are two wells on the site. There may be a brief shut down when they put the new meter socket in, but there is enough capacity in the tank.

Chairperson Boswell asked what could have been caught on our own, in hindsight, prior to the discovery period under contract.

Mr. Young replied that, normally, this would not happen; but moving forward, during the pre-construction meeting, the Department will ask the contractors to do their site inspection earlier.

Chairperson Boswell noted that it was the contractor who caught it.

Mr. Young stated it required looking into the energized panels. Some of the Department's electricians said the configuration was highly unusual and they would not have expected that. The Department does not expect to see this again but will be more pre-emptive and have a look earlier.

Chairperson Boswell felt that the contractors, at pre-bid meetings, query the value of exposing the entity's problems to the benefit of all others. They do not necessarily tell you what you did not design right but wait until they get under contract with you and then work it out after.

The Manager-Chief Engineer stated that it is not a perfect process. What he asks of staff is to confirm that the bid amount is fair and reasonable because in this situation, now it becomes a non-competitive process where the company was already award the project. In the interest of being transparent, included in the agenda is the cost estimate, which is within contingency and is fair and reasonable.

Chairperson Boswell noted that it seemed like a relatively minor cost impact and there was no production impact.

The Manager-Chief Engineer stated they are not assessing delay or escalation costs.

Mr. Elarionoff stated that the way he reads it, the delays were encountered because of HELCO, so it was actually not the contractor.

The Manager-Chief Engineer clarified that it was because of the layout, and HELCO was not going to approve continuation of the work unless it was addressed.

ACTION: Motion was carried unanimously by voice vote.

B. JOB NO. 2019-1106, 'ŌLA'A #6 DEEPWELL REPAIR:

This project consists of furnishing all labor, materials, tools and equipment necessary to install a contractor supplied pump and motor, column assembly, power cable and all appurtenant materials; electrical work; borehole alignment survey; chlorinate the well and pumping assembly; and complete an efficiency test; in accordance with the specifications.

Bids for this project were opened on April 17, 2019, at 2:00 p.m., and the following are the bid results:

Bidder	Bid Amount
Derrick's Well Drilling & Pump Services, LLC	\$395,000.00
Beylik Drilling & Pump Service, Inc.	\$446,500.00

Project Costs:

1) Low Bidder (Derrick's Well Drilling & Pump Services, LLC)	\$395,000.00
2) Contingencies (10.0%)	<u>\$ 39,500.00</u>
Total Cost:	<u>\$434,500.00</u>

Funding for this project will be from DWS's CIP Budget under Deepwell Pump Replacement. The contractor will have 90 calendar days to complete this project. The Engineering estimate for this project was \$410,000.00.

Well History:

'Ōla'a #6 Deepwell:

Original Installation: November 2013

Repaired: August 8, 2018 - Final Contract Amount \$207,689.27

This project consisted of the removal of the existing well assembly; installation of Department supplied motor, contractor supplied submersible pump, column assembly, existing power cable, and air line; video survey; brush and bail of well casing; disinfection of the well and pumping assembly; and completion of an efficiency test.

Mitigation Measures:

This project will implement the mitigation measures of conducting a borehole alignment survey, and installation of motor temperature monitoring.

The Manager-Chief Engineer recommended that the Board award the contract for JOB NO. 2019-1106, 'ŌLA'A #6 DEEPWELL REPAIR, to the lowest responsible bidder, Derrick's Well Drilling & Pump Services, LLC, for their bid amount of \$395,000.00, plus \$39,500.00 for contingencies, for a total contract amount of \$434,500.00. It is further recommended that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to review as to form and legality by Corporation Counsel.

MOTION: Mr. Elarionoff moved for approval of the recommendation; seconded by Mr. Balog.

The Manager-Chief Engineer stated that this well is similar in nature to some of the issues encountered with the Kona wells because of their depth and capacity. For this project, the things learned from the Permitted Interaction Group will be included, such as borehole alignment survey and temperature sensors. The power quality monitors are already on site. Other mitigation measures may be incorporated such as reducing the pipe column size.

Mr. Young added that reducing the pump size and adding positive seal checks will be incorporated. The consultant felt that the Department should go with positive seal checks because of a rash of thrust bearing failures the Department has experienced. The pump size can be brought down from 1,400 GPM (gallons per minute) to 1,000 and still keep up with production requirements.

The Manager-Chief Engineer explained that positive seal check valves are in the pipe column coming up from the pump and motor, and there are various check valves in place on the way up. The old style was to have the Lakewood type check valves which would allow water to slowly seep past the check valves and come down the pipe column. However, that caused the motor to spin backwards. That is why there is a start-up and a shut-down sequence timer, to avoid having it spin backwards and then turned on again. What this can also do is not hold the water column in the table, causing the pump not to pump at the pressure it was designed for.

Chairperson Boswell recapped that in simple terms, it means the water is staying in the column pipe in segments so the entire weight is still sitting on everything and when it is time to start back up, the load is already there.

The Manager-Chief Engineer replied that was right, which is what the pump was designed to do; to pump against that column of water.

Chairperson Boswell stated that the Lakewood check valves were allowing it to drift down to the pump but the pump was shaped to go the other way and this caused it to go backwards, which is contrary to the direction it is supposed to be going.

The Manager-Chief Engineer replied that was correct. It would spin backwards but not at a fast rate.

Mr. Elarionoff asked what the difference is between a thrust bearing and a regular bearing.

The Manager-Chief Engineer replied that his understanding is that a thrust bearing works on hydroplaning so basically it is a bearing with two surfaces that need to be spinning at a certain minimum RPM's to get that hydroplaning effect. They support thousands of pounds of force and are designed to handle that force but not designed to have impact or slow start where there may be metals grinding on each other. They are not the same as regular ball bearings we are all used to.

Mr. Domingo asked what kind of efficiency the Department was looking at, i.e., production versus cost.

Mr. Young replied that a typical motor efficiency is about 90 percent on submersible motors in that size. The Department has been looking at efficiency in its pumps and motors but is now pushing more for reliability. Some of the pumps and motors planned for Kona, like the slimlines, are really small, 7- 9-inch diameter. There is going to be a power cost associated with this change, however. It is a balancing act. Another issue is warranty. You cannot mix and match where you do not have the same manufacturer.

Mr. De Luz asked if this is one of those deals where the Department is moving more towards having the contractor supply the pump and the motor.

Mr. Young replied that is what the Department is trying to move towards.

Mr. De Luz commented that it also allows for accountability in the warranty. The challenge was that, because the Department supplied the motor the last time, the warranty was an issue. He understood the forward thinking of balancing design, function, resilience, and cost.

ACTION: Motion was carried unanimously by voice vote.

C. RIGHT-OF-ENTRY FOR ‘ŌLA‘A #3 DEEPWELL AND RESERVOIR SITE (TAX MAP KEY 1-6-003:087) FOR CONDUCTING AN ENVIRONMENTAL ASSESSMENT:

W.H. Shipman, Limited (WHS), is requesting a temporary Right-of-Entry (ROE) in order to conduct an Environmental Assessment (EA) on the ‘Ōla‘a #3 Deepwell and Reservoir site (Site) as WHS is contemplating the construction of a new well and reservoir adjacent to the Site and dedicating the improvements to the Department of Water Supply to satisfy some of the requirements for proposed developments of their lands. These improvements would be required to connect to existing infrastructure within the Site and thus requires the EA to include the Site. WHS will be responsible for all costs associated with their work within the property.

The Manager-Chief Engineer recommended that the Board approve the Right-of-Entry Agreement and authorize either the Chairperson or the Vice-Chairperson to sign the Agreement, subject to review and approval as to form and legality by Corporation Counsel.

MOTION: Mr. Balog moved for approval of the recommendation; seconded by Mr. Sugai.

Mr. Elarionoff asked what the output of the aquifer will be with this additional well.

The Manager-Chief Engineer replied that this aquifer is very robust. It can produce hundreds of millions of gallons a day, and these wells barely scratch the surface.

Mr. William Moore, planning consultant working with W.H. Shipman on this project, added that W.H. Shipman has retained Tom Nance Water Resource Engineering to do an assessment; and it was determined that another two million gallons of capacity could be added in this general area. He added that as part of the EA, they are looking at a possible well site on the DWS site. If there is no agreement and the DWS wanted to proceed with the construction of its own well on that site, they only need comply with Chapter 343 [of the Hawai‘i Revised Statutes] meaning they do not have to do a separate EA, saving them a bunch of money.

The Manager-Chief Engineer noted that is a good example of public/private partnerships. The Board and the Department have been doing things like this for many years with developer agreements, to work together and come up with projects for the greater good of the overall community.

Chairperson Boswell commented that it sounded good.

Mr. Elarionoff asked if the development includes residential units.

Mr. Moore replied that it is part of the Kea‘au Town Center project. W. H. Shipman is looking at a project taking primarily the existing village area and expanding it for residential/commercial development and looking at another 15 acres of commercial property next to the Shipman Park on the Mauna Kea side of the Volcano Highway.

Mr. Domingo asked if the liability insurance consideration will be the sole the responsibility of W.H. Shipman.

Mr. Moore replied that it will be W.H. Shipman and the contractors. The site is fully improved. They still need to get a botanist to walk the property and verify what types of grasses are growing there and an archaeologist to provide a no-effect letter. The amount of work to be done is really minimal at this point. They are also looking for a possible reservoir site with Kamehameha Schools (KS) land immediately adjacent to this property. The well could be on either site--either the KS lands or Water

Supply lands. They are looking at both at the same time and going in for a right-of-entry with them as well and want to include all these improvements as part of their environmental assessment.

ACTION: Motion was carried unanimously by voice vote.

(Messrs. Moore and Lee left the meeting at 10:36 a.m.)

8) SOUTH KOHALA:

A. **MATERIAL BID NO. 2018-13, FURNISHING AND DELIVERING 750kVA STEP-DOWN TRANSFORMER FOR LĀLĀMILO D DEEPWELL – REQUEST FOR TIME EXTENSION:**

The vendor, American Electric, Inc., is requesting a contract time extension of 38 calendar days. The vendor experienced delays caused by the manufacturer, attributed to the impedance testing of the equipment. This delay was beyond the control of the vendor.

Note: There are no additional costs associated with this time extension.

1st time extension – 38 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 38 calendar days to American Electric, Inc., for MATERIAL BID NO. 2018-13, FURNISHING AND DELIVERING 750kVA STEP-DOWN TRANSFORMER FOR LĀLĀMILO D DEEPWELL. If approved, the contract completion date will be revised from January 18, 2019, to February 25, 2019.

MOTION: Mr. De Luz moved for approval of the recommendation; seconded by Mr. Sugai.

The Manager-Chief Engineer apologized for this being after the fact. Normally, staff pushes the contractor to get their request for time extension in advance of the contract completion date. The equipment is already installed for this project. He did confirm with staff that they followed up on whether the contractor ordered the equipment in a timely manner and followed up with the manufacturer on the progress. His understanding is it had to do with some of the windings in the transformer, resulting in an impedance test that did not meet the requirements.

Mr. Elarionoff asked if the Department is trying to avoid setting a new trend of getting the requests after the fact.

The Manager-Chief Engineer replied that this should not be an ongoing trend. Staff knows they are supposed to get the letter requesting the time extension before the completion date.

(Ms. Hugo joined the meeting at 10:37 a.m.)

Mr. De Luz recommended that the Department initiate clarity to the contractor to protect the Department in the event of it becoming a warranty issue. This was something that was not acceptable to the Department because it did not meet contract specifications. It is important to document because the contractor is liable for it.

The Manager-Chief Engineer agreed and explained that the Department sends out a letter after Board action, and these concerns can be clarified within that letter of time extension approval.

ACTION: Motion was carried unanimously by voice vote.

Chairperson Boswell recognized Ms. Julie Hugo, our newest Water Board Member, who had joined the meeting. Ms. Hugo was welcomed on board and introductions followed.

B. JOB NO. 2019-1108, WAIMEA DEEPWELL REPAIR:

This project consists of furnishing all labor, materials, tools and equipment necessary to install a Department supplied submersible pump, seal, motor, shroud, and power cable, contractor supplied column assembly, and sounding tubes, and all appurtenant materials; electrical work; chlorinate the well and pumping assembly; and complete an efficiency test; in accordance with the specifications.

Bids for this project were opened on April 11, 2019, at 1:30 p.m., and the following are the bid results:

Bidder	Bid Amount
Beylik Drilling & Pump Service, Inc.	\$402,200.00
Derrick's Well Drilling & Pump Services, LLC	\$447,000.00

Project Costs:

1) Low Bidder (Beylik Drilling & Pump Service, Inc.)	\$402,200.00
2) Contingencies (~10.0%)	\$ 39,800.00
Total Cost:	<u>\$442,000.00</u>

Funding for this project will be from DWS's CIP Budget under Deepwell Pump Replacement. The contractor will have 60 calendar days to complete this project. The Engineering estimate for this project was \$402,500.00.

Well History:

Waimea Deepwell:
Original Installation: September 2007

Mitigation Measures:

This project will implement the mitigation measures of conducting a borehole alignment survey, power monitoring on both the line and load side of the motor control center and replacing the main service surge protection device.

The Manager-Chief Engineer recommended that the Board award the contract for JOB NO. 2019-1108, WAIMEA DEEPWELL REPAIR, to the lowest responsible bidder, Beylik Drilling & Pump Service, Inc., for their bid amount of \$402,200.00, plus \$39,800.00 for contingencies, for a total contract amount of \$442,000.00. It is further recommended that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to review as to form and legality by Corporation Counsel.

MOTION: Mr. Elarionoff moved for approval of the recommendation; seconded by Mr. Balog.

The Manager-Chief Engineer stated that the Department is supplying the electrical cable, the motor, and the pump, including the seal and the shroud. The contractor is doing the other portion of the work. This was one of those identified on the spare pump and motor list as one of the key pumps where there should be a spare. This pump was acquired back in October 2018 so it actually is being used in a reasonable amount of time.

Chairperson Boswell asked if any bench testing was done on it during that time. It may not be the right question to ask because the Department does not have a bench testing facility or the ability to hang the pumps when stored.

The Manager-Chief Engineer replied that part of the scope is for the Centrilift technician to come out prior to the unit going down the hole to do as much testing on the unit before that happens.

Mr. De Luz asked if this is the first time since 2007 that something is being done to this well.

Mr. Young replied that it ran for 10 years and the Department got a pretty good life out of it. This is one of the larger high-level wells.

The Manager-Chief Engineer added that it is not one that is relied on 24/7. It supplements the Waimea Treatment Plant.

Mr. De Luz observed, over the last couple of months, that Engineering has done a really great job in its contractor cost estimates.

Mr. Domingo noticed that the contingency is not equal to 10%.

The Manager-Chief Engineer clarified that it is rounded off. It makes it easier when incremental payments are made and for retainage. You do not have to deal with pennies.

Mr. Balog mentioned the project having a lot less calendar days and asked if staff did not see any issues with them getting it done on time, even though the Department is supplying the pump and motor.

The Manager-Chief Engineer stated that during the bidding process, everyone has the opportunity to check with their suppliers and on the timeframe, and if that 60 calendar days does not work for them, they should be submitting a request for information, stating that may be a problem. It has happened in the past where they have requested a longer duration.

ACTION: Motion was carried unanimously by voice vote.

C. **JOB NO. 2018-1090, WAIMEA WATER TREATMENT PLANT SLUDGE REMOVAL:**

This project consists of furnishing all labor, materials, tools and equipment necessary to remove and dispose of settled sludge from the Waimea Water Treatment Plant 2.7 million-gallon reservoir, for a period not to exceed one year.

Bids for this project were opened on April 11, 2019, at 2:00 p.m., and the following are the bid results:

Bidder	Bid Amount
2B Environmental, Inc., dba Bob's Sweetwater Pumping Service	\$247,500.00
Drainpipe Plumbing & Solar, LLC	\$747,000.00

Project Costs:

1) Low Bidder (2B Environmental, Inc. dba Bob's Sweetwater Pumping Service)	<u>\$247,500.00</u>
Total Cost:	<u>\$247,500.00</u>

Funding for this project will be from the Operations Division Operating budget. The contractor will have 360 calendar days to complete this project. The Engineering estimate for this project was \$250,000.00.

The Manager-Chief Engineer recommended that the Board award the contract for JOB NO. 2018-1090, WAIMEA WATER TREATMENT PLANT SLUDGE REMOVAL, to the lowest responsible bidder, 2B Environmental, Inc., dba Bob's Sweetwater Pumping Service, for a total contract amount of \$247,500.00. It is further recommended that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to review as to form and legality by Corporation Counsel.

MOTION: Mr. Balog moved for approval of the recommendation; seconded by Mr. Sugai.

(Ms. Judith Hayducsko joined the meeting at 10:56 a.m.)

Chairperson Boswell noted that this area was observed during the Board's site visit to the treatment plant last year.

The Manager-Chief Engineer noted that this is a byproduct of the water treatment, taking out the organics as well as the coagulant that is used during the process.

The Deputy added that this is to maintain the manufacturer's warranty on the new membrane filters. There is an increased amount of wash cycles needed on a daily basis and it increases the backwash water being sent down to the sludge lagoon.

Chairperson Boswell asked if it meant more water is being processed or whether it is being processed to a higher level.

The Deputy replied that because of the manufacturer's requirements to maintain warranty, the membrane filters have to be washed more frequently.

Mr. Domingo asked how they access the sludge and if it interferes with operation of the treatment plant.

Mr. Ikeda replied that they will be putting a rack with a pump and motor on it into different parts of the lagoon and pumping it into their truck. They have a disposal site and they average three to four loads a day. They are being given up to a year because they can only do so much a day. It will not interfere with the operation of the plant.

Mr. De Luz asked if the sludge is considered hazardous material, to which the Manager-Chief Engineer replied it is not.

Mr. Balog asked if this is something that will have to be done almost yearly, going forward.

The Manager-Chief Engineer replied that was correct.

Chairperson Boswell noted that it is seen in the Operations Budget.

ACTION: Motion was carried unanimously by voice vote.

9) NORTH KONA:

A. **JOB NO. 2013-989, KAHALU‘U SHAFT INCLINED LIFT REPLACEMENT – SECOND TIME EXTENSION REQUEST:**

The contractor, Jas W. Glover, Ltd., is requesting for a second time extension request. Staff has reviewed options to repair portions of the track to try and keep the cost to a minimum; however, based on the work environment and safety requirements needed to repair the tracks, the cost estimates were not feasible to be included in this contract. In order to assure that the new cart will function safely on the existing tracks, the manufacturer will build a test stand to simulate the activation and disengaging of the emergency braking mechanism with a load on the cart.

This is would be a second time extension to the contract. Previous extensions are listed below:

Extension Number	From (Date)	To (Date)	Days (Calendar)	Reason
1	1/19/2019	04/20/2019	90	Repair existing tracks for cart.
2	04/20/2019	01/28/2020	283	Cost to repair existing tracks under this contract is not feasible. Manufacturer to build test stand to ensure safe operation of cart on existing tracks.
Total Days (including this request)			373	

If approved, the new contract completion date would be extended from April 20, 2019, to January 28, 2020. Engineering staff has reviewed this request and finds the time extension request is justified.

The Manager-Chief Engineer recommended that the Board grant this extension of contract time of two hundred eighty-three (283) calendar days, to Jas. W. Glover, Ltd., for JOB NO. 2013-989, KAHALU‘U SHAFT INCLINED LIFT REPLACEMENT.

MOTION: Mr. Sugai moved for approval of the recommendation; seconded by Mr. Domingo.

The Manager-Chief Engineer stated that this has been quite a challenge. The original intent of the contract was to get the incline lift operating.

Mr. Inaba stated that during manufacturing of the new cart, it was discovered that the emergency brake started engaging about three quarters of the way down because the tracks were getting corroded in that section. The manufacturer was asked if it would it require redesign if the tracks were replaced, and they said that was a possibility if the dimensions of the tracks were a little different. It may require redesign of the track. It was discovered that the cost to replace or repair the entire track was way too much. The welder laid out what it would take to get down there to do the work just in that section. It would require installation of electrical conduits and outlets to have blowers every so many feet on the way down and building temporary staging to work on the track. Even for that short section, about 100 feet of track replacement, the estimate was over \$1 million. It is too much to be included in this current project. The Department’s consultant has been searching for track of the same

dimension, but nothing has been found to match that exact thickness. Each H-beam would have to be machined.

Chairperson Boswell asked why it is corroded only in this area and if it was exposed to the water.

Mr. Inaba replied it may have been due to dripping in an area of the roof. A canopy was put in to carry water off to the sides. There are other sections of the track that are starting to show signs of corrosion. One of the concerns right now is getting an operational cart to bring a spare motor down there. If the emergency brakes engage with the weight of the motor, it may not be able to be lifted back up. He added that the new cart will have an additional weight capacity.

Chairperson Boswell asked if this meant there are no costs associated with the time extension yet; it is only allowing time for the new cart to catch up.

Mr. Inaba replied that was correct. The contractor has indicated they are not looking at any delay costs to the Department.

Chairperson Boswell asked who the engineer of record is for the project.

Mr. Inaba replied it is Engineering Partners.

Mr. Domingo thought that simulating the condition of the unit and going through all of the possible scenarios could cost a little bit more.

Mr. Inaba replied it could. From discussions with the contractor, who have been in contact with the manufacturer, it may mean modifying or adding at least a test track to do some testing to simulate the conditions as much as possible.

Mr. Domingo asked if the emergency brakes are engaging with light loads or heavy loads.

Mr. Inaba replied that it is engaging with light loads, typically at that one location; but there are other areas where personnel can feel bumps on the track. The intent is to test it with a bumpier track to make the emergency brake engage, with the load on it, at the angle, and make sure that the equipment can be put in reverse and be strong enough to lift it up, disengage, and continue down.

Mr. Domingo commented that it seems like the end result will be something that would allow the Department to operate the item safely and asked if it will be designed and tested at the manufacturing facility and then brought here for installation.

Mr. Inaba replied that basically was it. The next project will probably include the repair or replacement of the tracks because the Department still wants to fix that situation.

Chairperson Boswell asked how much the Department is into this project right now.

Mr. Inaba replied it is \$1.46 million, and the majority of the cost is the cart itself.

Chairperson Boswell summarized that the job is to put a new cart in the shaft. The condition of the track, upon further investigation, was a concern because it may interfere with the cart functioning. Therefore, a test cart will be built, a weight load put onto it, and it will be run through a testing scenario to make sure the money spent on it will work, or if any modifications need to be made before

loading it up with heavy equipment. He wondered how something like this could be competitively bid out.

Mr. Domingo was also concerned because it seems like an open-ended project.

Mr. Inaba explained that this is the reason they are not doing the track repair here. This part is only for the cart and then it will go out to competitive bid for the track repair. It will be a separate project.

Chairperson Boswell asked if the shaft is still a pretty serious back-up for the Department until it develops additional mid- or high-level sources.

The Manager-Chief Engineer replied that it is. The long-term solution is for the Department to wean itself off that source but is not quite there yet. The Department is working on other mid- to high-level wells to replace this source.

Chairperson Boswell stated that if the Department ends up putting several million dollars into the Kahalu‘u Shaft, at this point, there is no other option because it is not close enough to development of additional sources of water.

Mr. Domingo asked if there is a comprehensive plan and how much cost is involved.

Chairperson Boswell stated that the issue is the unforeseen conditions. It is not something you can just walk up to and see everything.

Mr. De Luz stated that it seems like this is kind of an as-built deal moving forward and is a best guess as to what potentially could happen.

The Manager-Chief Engineer stated that this time extension allows them to do what is needed in order to get some answers.

Mr. De Luz commented that the shaft is very unique and it sounds like, at a minimum, after this is completed, it will give the Department redundancy even as other wells are developed.

Mr. Elarionoff asked if this source is almost obsolete.

The Manager-Chief Engineer replied that the source goes back to the 70's.

Discussion followed on why it was designed that way. It was designed by the State and handed over to this Department to provide up to 10 million gallons a day. Back then, it was “the” source, but it is a basal source and now there is the added challenge of maintaining it. The shaft is over 1,000 feet in length at a 30-degree incline and has a 600-foot elevation difference from ground surface to the water surface. The Department will not pursue drilling another well in the area because the water source is not desirable. The other challenge is work requirements, regulations, and associated costs for work in confined spaces.

Mr. Balog asked how much water is currently pumped from this source.

The Manager-Chief Engineer noted it is three to five million gallons; but even at those levels, you start getting elevated chlorides.

Mr. Balog asked if it would do a little bit of justice to move the next project along, not to impede progress, but to get a bid out to replace the track before the cart actually gets completed and installed. You would not want to stop their progress, but you also do not want to install something you know you will have a problem with.

The Manager-Chief Engineer noted that was a good point and the Department could get started on it.

Chairperson Boswell added that the technology must have changed quite a bit.

Mr. Domingo asked how the Board can get more information and see what all of the options are.

Chairperson Boswell thought that the next time this comes up on the Agenda, if the Board could get more description on it such as what sections were cut in the track, and things of that nature, it would help the Board get a handle on what the project itself is about. He would hate to see an endless hole; but at this point, it is still in the discovery phase.

The Manager-Chief Engineer noted that when it becomes obvious what is required, whether it be more money or more time needed, it will be brought before the Board and the Board can be briefed on the project.

Chairperson Boswell asked if the Board could see the bid tabulations that show where the money was spent. It would help give the Board a better picture.

The Manager-Chief Engineer acknowledged that the information could be emailed in advance of that.

Mr. De Luz asked if it was correct in that the Department has paid nothing on this contract so far, as the CIP report indicates zero.

Mr. Inaba replied that was correct. The contractor has been told the manufacturing is at their cost, and payment will be made when the work is complete.

ACTION: Motion was carried unanimously by voice vote.

10) MISCELLANEOUS:

A. DEDICATIONS:

The received the following document for action by the Water Board. The water system has been constructed in accordance with the Department's standards and is in acceptable condition for dedication.

1. LICENSE EASEMENT NO. 802
(For Water Meter)
Licensor: State of Hawai'i, Department of Hawaiian Home Lands
Villages of La'i'opua, Kealakehe, Hawai'i
Tax Map Key (3) 7-4-021:003 (portion)

The Manager-Chief Engineer recommended that the Water Board accept this document subject to the approval of the Corporation Counsel and that either the Chairperson or the Vice-Chairperson be authorized to sign the document.

MOTION: Mr. Elarionoff moved for approval of the recommendation; seconded by Mr. Balog.

Mr. De Luz asked if it was correct that this Department does not have jurisdiction over issues because this is considered ceded land. The administrative agreement would be with DHHL and not the individual.

Mr. Inaba replied that was correct.

Chairperson Boswell asked for clarification if this is an easement for the water meter itself because the Department will own the water meter.

Mr. Inaba replied that was correct because it is DHHL property.

ACTION: Motion was carried unanimously by voice vote.

B. RENEWAL OF CONTRACT FOR MAINTENANCE AGREEMENT – SOUTH KOHALA, HĀMĀKUA, AND LAUPĀHOEHOE SITES (BRANTLEY CENTER, INC.):

Brantley Center, Inc., presently has a Maintenance Agreement for site maintenance for the Department’s South Kohala, Hāmākua, and Laupāhoehoe tank and pump sites. They are requesting to renew the Agreement from July 1, 2019, to June 30, 2020. The rates would be as follows:

South Kohala -	\$4,392.35/month x 12 months (23 sites)	=	\$52,708.20
Hāmākua -	\$2,944.16/month x 12 months (15 sites)	=	\$35,329.92
Laupāhoehoe -	\$738.48/month x 12 months (3 sites)	=	<u>\$ 8,861.76</u>
	Total:		<u>\$96,899.88</u>

The Department has the right to award the contract to Brantley Center, Inc., without advertising or calling for bids, according to Subsection 103D-1010 of the Hawai‘i Public Procurement Code. Brantley Center, Inc., has submitted the necessary documents to meet the requirements as a qualified rehabilitation facility.

There is no increase from their proposal for Fiscal Year 2018-2019.

Brantley Center’s performance has been satisfactory, and the costs are reasonable. A total of 41 sites are covered by this agreement.

The Manager-Chief Engineer recommended that the Board award the contract for the RENEWAL OF CONTRACT FOR MAINTENANCE AGREEMENT – SOUTH KOHALA, HĀMĀKUA, AND LAUPĀHOEHOE SITES to Brantley Center, Inc., for a period from July 1, 2019, to June 30, 2020, at a total cost of \$96,899.88, and that either the Chairperson or the Vice-Chairperson be authorized to sign the documents, subject to approval by Corporation Counsel.

MOTION: Mr. Balog moved for approval of the recommendation; seconded by Mr. De Luz.

In response to Mr. Elarionoff’s Question of whether there was any increase in costs, the Manager-Chief Engineer replied there were no increases.

ACTION: Motion was carried unanimously by voice vote.

C. PROFESSIONAL SERVICES AGREEMENT – WATER LOSS AUDIT ASSISTANCE, PILOT PROJECT:

The Department desires to enter into a professional services agreement with a Water Loss Audit company, Water Systems Optimization, Inc., who has expertise in conducting and validating water audits to reduce water loss where possible and improve system understanding and water conservation. This project requires a consultant procured through professional services procedures. Based on the anticipated scope of work, the contract amount will be approximately \$300,000.00, and will be funded from the Operations Division Operating budget. It is anticipated that this initiative will take approximately 15 to 18 months to complete.

The Manager-Chief Engineer recommended that the Board approve the procurement of a consultant to provide support for the State mandated Water Loss Audits. Funding will be from the Operations Division Operating budget.

MOTION: Mr. Sugai moved for approval of the recommendation; seconded by Mr. Balog.

The Manager-Chief Engineer stated that this has been mandated by State law to do water audits every year. The Department's first one was last year and the obvious next step is to take the results of that audit and dive deeper into certain systems where improvements should be done. The Department will hire a consultant who is well versed in these efforts and has done similar work in numerous locations around the country. This audit will cover Hilo, Lāhāmilo, and North Kohala. The Department operates twenty-three separate water systems around the island. This will be the first step in the effort to get on top of the water loss around the island.

Chairperson Boswell asked if the logic is something simple like the total amount of pumped gallons from a well versus gallons of water sold.

The Manager-Chief Engineer replied that would be the starting point. Production numbers are looked at and then consumption. There are some magic systems, as Ms. Hayducsko likes to call them, where more water is sold than produced. Basically, that is because there are errors in the meters. They are mechanical devices and wear out over time. Some good data has to be developed to begin with. It even gets into real losses and apparent losses. There is national American Water Works Association format on water loss. He asked Ms. Hayducsko to give a brief.

Ms. Hayducsko stated these mandated reports are due to the State July 1 of each year. The Department is very careful in reviewing monthly reports and repairing customer meters that are under-registering. With this assistance, the Department hopes to have a few more tools in its toolbox in order to better evaluate the systems and be transparent with the water mass balances for the water produced.

Chairperson Boswell asked if additional metering and repair of meters a part of this process and if there are going to be actual expenditures on their part.

Ms. Hayducsko replied that the Department has already set aside money in the CIP for these kinds of projects. There is a source meter CIP that has been worked on throughout the last two years. For customer meters, the Department is looking at doing some additional pilot studies. For meter replacement, if a meter is old, it may no longer be working efficiently, and that will be identified.

Chairperson Boswell asked if the audit is primarily administrative.

The Manager-Chief Engineer replied that was correct. The Department has its gut feelings on certain things but even from some of the recent evaluations that have been done, some old meters are still reading fairly well. This will help prioritize whether focus should be more on data from leak detection or if there should be a more robust customer meter replacement schedule. Perhaps in certain areas, the Department could focus on large meter replacement or perhaps gear the CIP more towards waterline replacement.

Mr. De Luz stated that his understanding, from speaking with Ms. Hayducsko previously, was that last year's audit identified areas to focus on a little more and that when wells go off line, it may not have been accurately metered and could be attributed to some loss. He noted that this Department has been very proactive in its water audit, and awareness of where the priority areas are will transition into CIP requests that will show the cost versus the benefit.

Mr. Elarionoff asked what State agency is making the requirement.

The Manager-Chief Engineer replied it is the State Department of Land and Natural Resources, Commission on Water Resource Management, and it was a mandate that came from the Legislature. Like a financial audit, this is something the Department should be doing anyway by tracking how much water is being pumped versus how much it is selling. It was something the Department was already doing, but the requirement was made by law and put on that agency to administer.

Mr. Domingo asked if this is being put out to three consultants for a best offer.

The Manager-Chief Engineer replied that, like anything, the Department has to follow procurement code, so that is correct.

Mr. Sugai asked if it was the same company that did the previous audit.

Ms. Hayducsko replied it is.

Mr. Sugai asked if there was any grant money that could go to them because it is water conservation.

The Manager-Chief Engineer replied that if there outside sources of money, the Department will seek that funding. One of the sources is for the leak detection loggers. The Department receives funds from Hawai'i Energy that it has to match. If it can be tied into energy and if the State Department of Health, Drinking Water Revolving Fund Loan Program, reinitiates their green fund, that is another source that could potentially be tapped into.

ACTION: Motion was carried unanimously by voice vote.

D. PROFESSIONAL SERVICES AGREEMENT - PRIVATE COUNSEL:

In accordance with Section 54-55, Hawai'i Revised Statutes ("HRS"), the Department desires to enter into a professional services agreement with a private attorney having appropriate expertise to assist in negotiations, valuation, and litigation involving the lease of the 'Ola'a Flume source (Civ. No. 18-1-111).

The Manager-Chief Engineer recommended that the Board approve the procurement of private counsel to provide the specialized expertise required in the above-referenced matter. Cost of services not to exceed \$100,000.00.

MOTION: Mr. De Luz moved for approval of the recommendation; seconded by Mr. Sugai.

Chairperson Boswell mentioned that this was discussed in the past and asked if anyone had anything to bring up. There being none, he called for the vote.

ACTION: Motion was carried unanimously by voice vote.

E. **REVISION TO RULES AND REGULATIONS SECTION 3-5. CONNECTIONS:**

The following proposed amendments were brought to the Board for discussion:

Replace subsection (15) language with the following, “Services from a Department of Water Supply standpipe facility shall be awarded based on a competitive bidding process. Terms and conditions of standpipe service will be contained in the bidding documents.”

Add new subsection (16) Temporary water service may be granted by the Department. This service shall be limited to a maximum duration as established by the Department on a case by case basis. The applicant shall pay a fee, prior to service being granted, equal to the Department’s estimate of the cost to install, maintain and remove the meter and appurtenances. In addition, the applicant shall pay the monthly standby and consumption charge at rates established by the Board. The Department reserves the right to deny any application or remove the temporary service at any time.

The Manager-Chief Engineer stated that this was being brought to the Board for consideration. For Subsection 15, the current rule for a standpipe is that the applicant pays a fee equal to the estimate to install and remove the meter, which is kind of nominal. The reason for the change proposal is that it is the only commercial entity where the Department allows for this subsidy. For any other commercial operation, you have to find a property that you are going to operate from, install a permanent water meter at your expense, and pay the appropriate facilities charge. You do not get to go to a place that the Department built or the County paid for and just pay to drop in a meter to run your business. The Department has not recouped any facilities charges. Ultimately, it is for the benefit of the community, but so is a supermarket or a park, or other great entities that are out there that do not have this subsidy. The Department ran into some challenges when it opened up the Hawaiian Ocean View Well; and although it did follow its procedures and apparently did nothing wrong, according to the Legislative Auditor, people still come up and say they have issues with that because there is no mechanism where any other people can come in. All ten lockers are taken up forever. The thought behind this proposed change is to make it a competitive process. Maybe a minimum amount could be set, like \$1,000.00 a month; they would need to have to have a PUC license; and maybe a term could be set, like after three years, it would be bid out again. This could all be established in bid documents for any other competitive bid that is put out. That way, the requirements would be fair and would give others an opportunity to participate and be able to provide this service to the public.

The Manager-Chief Engineer continued that for the second rule, Subsection 16, for as long as he can remember, the Department has allowed for temporary services off a fire hydrant. For some of these services, temporary becomes kind of semi-permanent, and the question is how to deal with that. They are supposed to be temporary services because they are also bypassing the requirements for a permanent service: a facility charge and having a service lateral. The other concern that could be brought up, that has not been, is that these hydrants are on public right-of-way. If you have a water hauler filling his truck up on the side of the road, it could be a potential liability for the Department and the Board, and the Department has allowed this. Temporary may be okay, but not five or ten years’ worth. This is basically to try and clean house and make sure the Department is appropriately

dealing with situations in a fair and appropriate manner for the customer, the Department, and the Board.

These two proposed changes are for the Board's consideration. Any rule change or revision comes with a process. The next step would be for the Board to take a look at these rules and provide comments. If there are no comments and it all looks okay, the Department will start the rule revision process.

Mr. Elarionoff stated that his only concern was that it does not add to the cost because people get hit hard enough as it is.

Chairperson Boswell asked if this is in relation to construction contractors and water haulers (temporary meters) and if the Department would delineate what they are allowed to do with the water.

The Manager-Chief Engineer replied, not for the temporary service. Some people have come to the Department because they want water for their ranch due to dry conditions. Normally, rainfall can fill their troughs, but if it is not happening, the Department could grant a temporary meter off a hydrant and after the drought has ended, they should no longer need it. There has been some abuse because a drought is not supposed to last five years.

Chairperson Boswell mentioned that in his experience, they have had a 4-inch HDPE (high-density polyethylene) pipe that ran off a fire hydrant and a temporary meter under the highway that serviced their property for a time; but they had already entered into a water agreement, so in some respects, they were paying their facility charges. He was curious, as a contractor, if there should be some sort of restriction on it, especially as the Department is more cognizant on what the water is being used for.

The Manager-Chief Engineer replied that the Rules are very basic; but there are internal guidelines that cover more, for instance for drought conditions--six months, and maybe they could come back for a time extension of another six months; or for a standpipe, the other thing that could be built into the bidding documents is that their truck has to be Department of Health certified for potable water.

Chairperson Boswell agreed with that because they are reselling our product.

Mr. Balog thought the PUC requirement and the certified potable water tank were good suggestions for the lockers.

Chairperson Boswell commented that it levels the playing field for the guys who are doing it right versus the others.

Mr. Balog thought it was in the Department's best interests to make sure that the people utilizing it are making sure they are not contaminating the water that is being delivered to the customer. That is one way to make that happen.

Mr. De Luz asked if, in regard to water hauling, whatever is in the water hauling license, they have to comply with; therefore, the charge is more to access it, like a standby charge, because, technically, they cannot sell water.

The Manager-Chief Engineer replied that was correct.

Mr. De Luz thought, then, in that regard, if it is in the license, whether it be for a standpipe or a temporary meter, the Department could build in an administrative policy as to how it would be managed or if the Department wanted to build it into the Rules and Regulations.

The Manager-Chief Engineer thought that for the standpipe, if it is a competitive process, the requirements could be built into the bidding documents; but for the temporary service, it can be for different reasons, besides construction, ranchers, and road maintenance. He asked Mr. Uemura what other scenarios he had seen.

Mr. Uemura replied Pohakuloa Park is a good example.

The Manager-Chief Engineer stated that was kind of a touchy one, which is why the Department wanted it on a case-by-case basis because you cannot just set one thing since there are different uses. Water is hauled to Pohakuloa training area because they do not have a source. It is probably 100% of their water needs. The Department would not want to say five months and then done. It is a matter of trying to find a balance.

Mr. Balog stated that if somebody is going to haul for their source, then at some point, there should be a discussion to say they need to get something more permanent than just hooking up to a hydrant on the side of the highway.

Mr. De Luz suggested that because of that unique position, because they are an agency, perhaps the license should be to the agency and then they take all the responsibility. It might be something to think about.

The Manager-Chief Engineer asked if he meant some kind of Memorandum of Understanding.

Mr. De Luz replied that was what he was thinking. It should not be the Department's responsibility to manage. All it is doing is providing access to it.

The Manager-Chief Engineer went back to Mr. Elarionoff's concern and that the Department is always aware of how the cost is going to impact the customer. However, this is a small group of beneficiaries, especially for the standpipe, that the Department has been subsidizing all these years. They never had to pay like everybody else. Basically, all of the customers have been subsidizing that entity and he did not think it was fair. No other commercial or other activity gets that same benefit.

Mr. Masuda stated that, additionally, because of the cost element, or the charge element, this should be run through the small business registry so they would have to approve whatever the language is that comes out. Today is just to give the Board a general idea, and some of the suggested language that will come through and then it will have to go through the public hearing process.

The Manager-Chief Engineer stated that because it is going to directly impact the current water standpipe customers, the Department will send them an individual invitation to the public hearing so they know what is being proposed and not only just advertise it in the newspapers. He noted that the Department has been getting a fair amount of complaints from other people who want to haul water but they do not have any opportunity to do so.

F. EXECUTIVE SESSION REGARDING INCIDENT OF EXCESSIVE WATER USAGE, RESIDENTIAL:

The Board anticipates convening an executive meeting for the purpose of discussing the legal rights, duties and liabilities of the Board concerning an incident of excessive water usage involving a residential account, as authorized by Hawai'i County Charter, Section 6-5.4, and Hawai'i Revised Statutes ("HRS"), Sections 92-4 and 92-5(a)(4). The Board wishes to have its attorney present, in order to consult with the Board's attorney on its questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities pursuant to HRS Section 92-5(a)(4). A two-thirds vote of the members present, pursuant to HRS Section 92-4, is necessary to hold an executive meeting, provided that the affirmative vote constitutes a majority of the Board.

ACTION TO ENTER EXECUTIVE SESSION: Mr. Sugai moved that the Board enter Executive Session; seconded by Mr. Domingo and carried by voice vote (Ayes: 7 - Ms. Hugo; Messrs. Balog, De Luz, Domingo, Elarionoff, Sugai, and Chairperson Boswell; Nays: 0; Absent: 1 - Mr. Scicchitano).

(Executive Session began at 11:50 a.m. and ended at 12:24 p.m.)

Mr. Masuda announced the Board was back on the record, in open session. He recommended that the Board entertain a Motion for approval for the Department Manager-Chief Engineer to make a "proffer" for a leak adjustment whereas the first notification will be paid in full and the second notification, or second billing, be waived.

ACTION: Chairperson Boswell so moved; seconded by Mr. De Luz and carried unanimously by voice vote.

G. MONTHLY PROGRESS REPORT:

The Manager-Chief Engineer noted that the updates to the report are now shown in red.

Chairperson Boswell stated that he finds the information valuable. The information gives good insight and it is well researched.

Mr. Balog asked about the projects noted as having community meetings to be scheduled. He asked if there was a timeframe as to when they will be scheduled. One is in North Kohala, the Hala'ula Well Development Phase 2, awarded to Goodfellow Brothers; and there is one in South Kohala, the Puakō Waterline Replacement.

Mr. Inaba stated that for the Puakō project, staff is waiting on some information from the consultant to complete the SMA (Special Management Area) application. It is part of the requirement for the SMA.

The Manager-Chief Engineer added that normally, once a community meeting is scheduled, out of courtesy, the Board is notified.

Mr. Inaba continued for the North Kohala project. The contract was just executed and the Department is waiting to get a schedule from the contractor to make sure that when it does go to the community meeting, the residents can be given a heads up more or less on when they can expect construction to begin and any type of impacts it might bring about, such as traffic impacts. It is not a community meeting where they can provide input on the project because that has already been done.

Mr. Balog asked how far along the Installation of Infrastructure for Emergency Backup Power for Critical Sites project is.

Mr. Ching replied that the Department received an informal notification that it was able to get funding for four of its sites to get a transfer switch infrastructure installed. That is using the hazard mitigation grant program where the Department will provide a 25% cost share and there is a 75% federal share. The Department is looking forward to receiving their formal letter of commitment before proceeding with that project, hopefully in the next fiscal year.

Chairperson Boswell remembered it being for critical sites such as hospitals.

Mr. Balog recalled the Department having a lot of backup generators.

Mr. Ching stated that the scope of that work is to install infrastructure, or transfer switches, where the portable generators are stationed so that the sites can have quicker access to backup power.

Chairperson Boswell asked about Isemoto Contracting's start of work on the Wai'aha Water System Improvements - Transmission.

Mr. Inaba stated that a letter was sent seeking a blessing from the Department of Public Works on issuing the permit.

Mr. Balog asked about the progress on the Waikoloa Reservoir No. 1 Earthquake Repair project.

Mr. Inaba stated that when the consultant came out and walked the site with the contractor again, they looked at the proposed work and felt there was a lot of work that should not have to be done; therefore, the Department resubmitted a revised scope to HIEMA (Hawai'i Emergency Management Agency), the Department of Land and Natural Resources Dam Safety section, and to FEMA to move forward on this. In the meantime, they are working on getting a bird and bat expert to take a look because some trees will be felled in the forest reserve area. That needs to be done within a certain timeframe. This should result in a better project as far as the reservoir itself.

Chairperson Boswell asked if it is value engineering or a reduction in scope.

Mr. Inaba replied it will be a reduction in the scope and the Department will work with the contractor to get a revised cost proposal. In looking at what they designed, over time, the panels still move so some of the bottom panels were lifting up a little. The panels they said to completely remove, now may not have to be. The Department went through the scope of work with FEMA; but at this point, the consultant is saying maybe a little more work in one area and not so much in another area will result in a better overall product. The goal is to get the best product possible. Over time, the conditions have changed just from the reservoir being empty.

The Manager-Chief Engineer provided Ms. Hugo with some background on this project. It resulted from the 2006 Kiholo Bay Earthquake. There are three 50-million-gallon reservoirs above Waimea town. These reservoirs are already more robust than normal earthen reservoirs because they are concrete lined and not just earth with a plastic sheet on them. When FEMA gets involved, they have to approve the scope of the repair and then the Department of Land and Natural Resources Dam Safety section gets involved, and they have their own consultant to review the work done by this Department's consultant.

Chairperson Boswell asked if the contract time is the only thing being affected or if the clock already started on the project.

Mr. Inaba replied that the clock has started on it.

Chairperson Boswell stated it will have to be monitored.

Mr. Inaba stated that once the things mentioned today get approval, the Department will check on where they are in their project schedule. There is still work along the outside perimeter they need to do and had planned for.

Chairperson Boswell asked if the Department is going to allow the project to start without the complete project being determined.

Mr. Inaba replied that was correct and that the project has already started.

H. JOB NO. 2018-1093, REQUEST FOR PROPOSALS TO PROVIDE A SOLAR PHOTOVOLTAIC ENERGY GENERATION SYSTEM AT FIVE (5) DEPARTMENT OF WATER SUPPLY LOCATIONS:

A Request for Proposals (RFP) was issued in November 2018 to evaluate offers from interested and qualified firms to design, construct, own, operate and maintain a solar photovoltaic energy generation system at five (5) separate DWS offices/baseyards.

The Department received two responsive proposals. The two offerors discussed their proposals with the RFP evaluation committee and submitted Best and Final Offers on April 5, 2019. Based on the evaluation of pricing, design, construction services, operation/maintenance services, experience and financial capabilities, Greenpath Technologies, Inc., was selected.

The Manager-Chief Engineer recommended that the Board award the contract for JOB NO. 2018-1093, REQUEST FOR PROPOSALS TO PROVIDE A SOLAR PHOTOVOLTAIC ENERGY GENERATION SYSTEM AT FIVE (5) DEPARTMENT OF WATER SUPPLY LOCATIONS, to Greenpath Technologies, Inc. It is further recommended that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to review as to form and legality by Corporation Counsel.

MOTION: Mr. Elarionoff moved for approval of the recommendation; seconded by Mr. Balog.

The Manager-Chief Engineer noted that this is another project enabling the Department to be more energy efficient and in line with its energy policy and the study done a few years back by Steve Bolles of Process Energy Services, LLC. He asked Mr. Warren Ching to elaborate on the project details.

Mr. Ching, Energy Management Analyst, stated that the scope of work is to design, construct, own, operate and maintain a solar photovoltaic energy generation system at five (5) separate DWS offices/baseyards. The intent is for the Department of Water Supply to enter into a power purchase agreement (PPA) with this offeror to purchase power from the solar photovoltaic (PV) system for a period of twenty years. There is an option to buy the system after a set amount of time. This PV system will be on the roofs of five of the Department's sites--its main office at Waiākea Office Plaza, the Hilo Baseyard, the Microlab in Hilo, and the Waimea and Kona baseyards.

Chairperson Boswell asked if there is no cash out to the Department.

Mr. Ching replied that the Department left them with an option to take an initial investment on the Department's end, and their proposed investment was \$496,106.06. An option was left in for all offerors for a maximum of \$800,000.00 to give the most economical proposal and buy down the Department's rate and make it more stable and reduce the rate over the 20-year period.

The Manager-Chief Engineer asked what the Department's rate is.

Mr. Ching replied that the rate they are proposing is 18 cents per kilowatt hour, fixed for the 20-year term. Right now, the Department pays about 28 cents per kilowatt hour. The good thing behind these types of agreements is you get a more stable rate structure and know what to expect over the term.

Chairperson Boswell asked if it was tied to fuel costs.

Mr. Ching replied it is not. It gets away from the kind of volatile market and is more in line with the State's green goals.

Mr. Elarionoff asked about the 20-year term and what the lifetime of the roofs are on the Department's buildings.

Mr. Ching replied that as part of this project, the offeror is proposing a roof coating prior to the PV installation. That coating is going to come with a 20-year warranty so it will cover the life of the power purchase agreement. That way, down the road, they will not have to be called upon to take the equipment off and put it back on.

Chairperson Boswell asked if the coating will be done after the stanchions and the conduit penetrations have been put in prior to the panel installation.

Mr. Ching replied he was not sure of the exact sequence of operations, but they indicated they will be coating around penetrations. There might be some preparation work before they actually put on the PV system; and after the PV system is installed on the roof, they are going to come back and coat over those penetrations. The good thing is that this is all under one entity so if there are any issues, whether it be a leak or something else, you deal with just one entity.

Chairperson Boswell was curious on what the expansion/contraction capabilities are in the applied product over metal roofing because of temperature swings on metal roofs and the Department's roofs are large and not small like a home.

Mr. Ching noted there is a fabric that they interlay between the coatings to help with the resiliency of that coating.

Mr. Domingo asked if this company provides the design, construction, and maintenance at their own cost and there is no fixed annual purchase, like the Lālāmilo Windfarm.

The Manager-Chief Engineer replied there is no minimum purchase amount the Department is committed to.

Mr. Ching stated that the offerors were made aware of that throughout the procurement process, and they understood that.

Mr. De Luz suggested that the Department look closely at its performance clause to make sure it controls cancellation of the PPA because from personal experience, he dealt with a national company that went bankrupt and it was a very painful process.

The Manager-Chief Engineer informed the Board that after award, the PPA will be set up and reviewed by Corporation Counsel and that document, or agreement, will come before the Board to weigh in on, so the Board will have a chance to review it.

Mr. De Luz also suggested a retention period up front as a performance, or five to ten years, and then release it.

Chairperson Boswell asked if it was bonded.

Mr. Ching replied there is going to be bonding, for example, the roof work, since it is going to involve the Department's property and it is going to become the Department's property when it is finished.

Mr. De Luz asked if it will be for the life of the PPA.

Mr. Ching replied not for the life of the PPA, but until construction completion.

Mr. Elarionoff asked if there was thought about incorporating the Pu'uwa'awa'awa Energy Ranch techniques.

The Manager-Chief Engineer replied not yet. The technology with the batteries was brought up to them, but there is no real excess energy being created and there is not enough roof space; therefore, they are supplying only a portion of the Department's electrical needs.

Mr. Ching stated there will be batteries at four of the sites; all except the main office. For the main office, the amount of offset that the PV is going to provide is about 40% whereas the other sites may be close to 80 to 90. The offeror will provide their best equipment and they are going to be responsible for the maintenance and replacement if anything breaks.

Mr. De Luz also suggested the Department check if HELCO or Hawai'i Energy would work with them to install charging stations as part of the program, especially at main office. He had a feeling the Department may be starting to get some electrical vehicles in the next five years.

The Manager-Chief Engineer noted that could be looked into, maybe at the baseyard.

ACTION: Motion was carried unanimously by voice vote.

I. REQUEST FOR PROPOSALS NO. 2019-02, PROVIDE A DEBT COLLECTION AGENCY FOR THE DEPARTMENT OF WATER SUPPLY, COUNTY OF HAWAI'I:

Request for Proposals (RFP) No. 2019-02 was issued in February 2019 to select a collection agency to pursue collection of past due amounts owed the Department. Sealed proposals were due no later than 2:00 p.m. on March 22, 2019. One proposal was received from Aargon Agency, Inc. (Aargon). Based on an evaluation of background, methodology, qualifications, references, and terms, Aargon was determined to meet the Department's needs.

The recommendation was that the Board award RFP No. 2019-02, PROVIDE A DEBT COLLECTION AGENCY for the Department of Water Supply, County of Hawai'i, to Aargon

Agency, Inc., and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract subject to review as to form and legality by Corporation Counsel.

Chairperson Boswell announced that this would be deferred due to an irregularity in the bidding.

J. **REVIEW OF MONTHLY FINANCIAL STATEMENTS:**

Mr. De Luz asked about the balance in the Cash and Investments Fund, shown on Page 2, and asked if it had to do with requirements in the standard operating procedures.

Mr. Sumada replied it is cash that is kept on hand to fund projects.

Mr. De Luz also asked about the difference in accumulated depreciation, and whether some of it had to do with the write-off of certain projects, like the Kapoho infrastructure, because there was a \$10 million difference from the year before.

Mr. Sumada explained that the Department incurs this amount of depreciation every year, about \$1 million per month.

Mr. De Luz asked about operating expenses, under transmission and distribution, for example, the recent water hauling due to Pa'auilo Well going down. He asked how that cost is accounted for.

Mr. Sumada replied it is an expense from the Operating Budget, as incurred, and is charged to contractual services under transmission and distribution.

Mr. De Luz noted, just as an anomaly, the Department is at 75% elapsed time of the budget but only at 71% [total receipts] and expenses are significantly less, per budget. He asked if Mr. Sumada sees a trend, being that expenses are at 57%, versus being at 75% because it is nine months into the twelve months of this fiscal year.

Mr. Sumada explained that the percentages usually track that way throughout the year and adjust at fiscal year end when all expenses for the year are accrued.

Mr. Elarionoff asked about "General and Administrative" on Page 3 and what happened there. The unfavorable is really high.

Mr. Sumada explained that the big change in that category is how the Department pays for the EUTF annual required contribution.

In response to Mr. Elarionoff's question of whether it is what the County and the State are suffering from right now, he replied that was correct. There was a change in how the payment was made. It used to be a \$1 million contribution in June of every year; but the State changed it this year to spread it out throughout the year.

Mr. Elarionoff asked about the bottom of Page 3 on the right column, Net Position End - "unfavorable" and if that \$16 million was a concern.

Mr. Sumada replied it is not a problem because it reflects the recording of the Department's net OPEB (Other Post-Employment Benefits) liability in 2018.

K. MANAGER-CHIEF ENGINEER'S REPORT:

The Deputy provided an update on the following:

1. North Kona Wells - for this month's update for the North Kona Wells, the Deputy explained, for Ms. Hugo's information, that the North Kona system spans from Makalei and the airport area down to Keauhou. Monthly updates are provided for the Board. For this month's status, ten of the fourteen sources are operating. The four wells down remain the same: Hualālai, Palani, Wai'aha, and Makalei. Last month, the Board approved a change order for Hualālai so the contractor was told to order the long lead item, which is the power cable. The Department is waiting for a firm timeframe from the contractor; but in initial talks, it was found to be about a 12-week lead time for the power cable; and as of now, the well is expected online in July of this year. For Palani, the completion is still August 23 of this year and the project is progressing. For Wai'aha Well, there is still a litigative hold on the project so not much can be said about the repair of the well. For Makalei Well, it was developed by a private developer and turned over to the Department and is still under the developer's warranty. That pump and motor was pulled out and they are doing their teardown and investigation. In the meantime, staff is working with the developer to implement some of the Permitted Interaction Group recommendations as far as downsizing the motor and also because of issues with higher chlorides because it was being pumped at higher rates. Staff will meet with the developer in early May to work on the repair, specifications, and timeframe.

Chairperson Boswell asked if the Department has accepted that well.

The Manager-Chief Engineer replied that the Department did accept it, but it is under their warranty.

Chairperson Boswell asked if that meant if it is a warrantable item, they would be repairing it; but if it is an upgrade, then that is on the Department's side.

The Manager-Chief Engineer replied that under the well development agreement, should conditions warrant, based on water quality and a specific amount of chlorides, they are supposed to reduce their pumping capacity anyway. Also, as a result of what was learned, there will not be a large capacity pump and motor placed in the hole again. Details still need to be worked out as far as who pays for what, depending on what they find during their teardown.

L. CHAIRPERSON'S REPORT:

1. Chairperson Boswell stated that he will continue to trend in the direction of inviting the Board and the Department to bring up anything they feel should be done. He did not feel the Board was very tasked and the Department has about 99% of it; therefore, he encouraged the Department to make the Board work. Listening to some rule changes today and things like that, are great to see. Some of these things have been around for a long time and if there is anything the Board can do to be proactive, they can work with the Department and look forward to doing that.

11) ANNOUNCEMENTS:

1. **Next Regular Meeting:**

The next meeting of the Water Board will be May 28, 2019, 10:00 a.m., in the West Hawai'i Civic Center, Community Meeting Hale (Building G); 74-5044 Ane Keohokalole Highway, Kailua-Kona, Hawai'i.

2. **Following Meeting:**

The following meeting of the Water Board will be June 25, 2019, 10:00 a.m., in the Department of Water Supply, Operations Center Conference Room; 889 Leilani Street, Hilo, Hawai'i.

12) ADJOURNMENT:

ACTION: Mr. De Luz moved to adjourn the meeting; seconded by Mr. Sugai and carried unanimously by voice vote. The meeting adjourned at 1:00 p.m.

(Approved by Water Board 5/28/19)

Recording Secretary